

121 FERC 61,028
UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Joseph T. Kelliher, Chairman;
Sudeen G. Kelly, Marc Spitzer,
Philip D. Moeller, and Jon Wellinghoff.

Midwest Independent Transmission
System Operator, Inc.

Docket Nos. ER07-970-000
ER07-970-001

ORDER CONDITIONALLY ACCEPTING LARGE GENERATOR
INTERCONNECTION AGREEMENT

(Issued October 12, 2007)

1. On May 31, 2007, the Midwest Independent Transmission System Operator, Inc. (Midwest ISO) filed pursuant to section 205 of the Federal Power Act¹ a Large Generator Interconnection Agreement (Interconnection Agreement) among itself as Transmission Provider, Wisconsin Power and Light Company (Wisconsin Power) as Interconnection Customer, and American Transmission Company LLC (ATC) as Transmission Owner.² In this order, the Commission conditionally accepts for filing the proposed Interconnection Agreement, to become effective February 15, 2007, as requested.

I. Background

2. Prior to this filing, the Commission approved a pricing provision in the Midwest ISO's *pro forma* Large Generator Interconnection Agreement (*pro forma* LGIA) under which an interconnection customer may receive credits against its bills for transmission service of up to fifty percent of the total amount the customer paid for the upgrades, under certain circumstances.³ Under the *pro forma* LGIA, the costs of network upgrades

¹ 16 U.S.C. § 824d (2000).

² The Midwest ISO has designated the agreement as Service Agreement No. 1842 under the Midwest ISO's FERC Electric Tariff, Third Revised Vol. No. 1 (Tariff or TEMT).

³ The Commission accepted this crediting mechanism and the corresponding Tariff revisions as a product of the Regional Expansion Criteria and Benefits (RECB) Task Force. *Midwest Independent Transmission System Operator, Inc.*, 114 FERC ¶ 61,106, *order on technical conference, reh'g, clarification, and compliance*, 117 FERC ¶ 61,241 (2006).

for new or upgraded generator interconnection are funded initially by the generator. The affected transmission owners will then reimburse the generators for half of the upgrade costs, resulting in a 50/50 allocation between transmission owners and generators.

3. The proposed Interconnection Agreement provides for the Interconnection Customer to be reimbursed for funding of upgrade costs consistent with the Midwest ISO's Attachment FF. The Midwest ISO states that ATC intends to later modify the Interconnection Agreement to allow 100 percent reimbursement for upgrades if the Commission approves an amendment to the *pro forma* LGIA⁴ that would allow ATC to fully reimburse all of its interconnection customers. The Midwest ISO states that it has been working with ATC to develop an amendment to the *pro forma* LGIA to permit 100 percent crediting (full reimbursement of the customer). After filing this Interconnection Agreement, ATC and the Midwest ISO submitted, and the Commission conditionally accepted,⁵ the ATC Generator Interconnection Reimbursement Filing, which amends Attachment FF by adding a provision (Attachment FF-ATCLLC) that allows ATC to fully reimburse all of its interconnection customers.

4. In the present filing, Midwest ISO proposes additions to Appendix B to specify the acceptable forms of security the interconnection customer can offer to ATC to cover the cost of upgrades.

5. The Midwest ISO also proposes a deviation from the *pro forma* LGIA regarding reactive power. The Midwest ISO proposes to delete a sentence from Article 9.6.1 because it is inapplicable in this case. The Commission staff issued a deficiency letter because it determined that the Midwest ISO did not provide sufficient information about this deviation in its original filing. The Midwest ISO responded with additional information and proposed revisions to the Interconnection Agreement.

II. Notice of Filing and Responsive Pleadings

6. Notice of Midwest ISO's filing was published in the *Federal Register*, 72 Fed. Reg. 33,478 (2007), with interventions and protests due on or before June 21, 2007. ATC filed a timely motion to intervene and comments.

⁴ See ATC and Midwest ISO July 11, 2007 filing, Docket No. ER07-1144-000 (ATC Generator Interconnection Reimbursement Filing). The ATC Generator Interconnection Reimbursement Filing amends the Midwest ISO's Attachment FF to allow ATC to fully reimburse interconnection customers for network upgrades.

⁵ *American Transmission Company, LLC*, 120 FERC ¶ 61,224 (2007), *reh'g pending*.

7. Notice of Midwest ISO's response to the deficiency letter was published in the *Federal Register*, 72 Fed. Reg. 46,620 (2007), with interventions and protests due on or before September 4, 2007. None were filed.

III. Discussion

A. Procedural Matters

8. Pursuant to Rule 214 of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.214 (2007), the unopposed motion to intervene serves to make the entity that filed it a party to this proceeding.

B. The Interconnection Agreement

9. The Midwest ISO presents two issues for the Commission to consider: (i) technical issues regarding reactive power and (ii) the proposed credit requirements.⁶ The Midwest ISO also proposes language in Appendix B pertaining to revenue crediting for upgrades. The proposed Interconnection Agreement does not alter the reimbursement methodology for crediting. It provides that the crediting mechanism shall be in accordance with Attachment FF of the *pro forma* LGIA. Attachment FF originally only provided for 50/50 crediting. However, with the Commission's acceptance of the ATC Generator Interconnection Reimbursement Filing, Attachment FF in relation to this particular Interconnection Agreement, where ATC is the transmission owner, allows for 100 percent crediting. Thus, no language changes are necessary to permit the 100 percent crediting in this Interconnection Agreement.

1. Reactive Power

a. Proposed Change to Article 9.6.1

10. The Midwest ISO proposes to delete the last sentence of Article 9.6.1, which reads "[t]he requirements of this Article 9.6.1 shall not apply to wind generators." According to the Midwest ISO, this change is consistent with a prior Commission order.⁷

⁶ The Midwest ISO also asks the Commission to condition acceptance of the instant filing on the outcome of the ATC Generator Interconnection Reimbursement Filing, which was not filed until more than a month after the instant filing. On September 7, 2007, the Commission accepted the ATC Generator Interconnection Reimbursement Filing. Thus, the issue is now moot.

⁷ Citing *Midwest Independent Transmission System Operator, Inc.*, 114 FERC ¶ 61,134, at P 24 (2006) (February 13 Order).

b. Deficiency Letter and Response

11. In response to the proposed change to Article 9.6.1, Commission staff issued a deficiency letter. The letter stated that the referenced citation alone did not support the proposed deletion of language and required Midwest ISO to address apparent inconsistencies. A compliance filing was made on August 13, 2007. The Midwest ISO addresses the apparent inconsistencies and suggests additional clarifying language.

12. Article 9.6.1 of the proposed Interconnection Agreement requires that “[t]he Generating Facility shall be capable of continuous dynamic operation throughout the power factor design range as measured at the Point of Interconnection.” Appendix C contains the same requirement. Exhibit A9, however, states that dynamic reactive power capability is not required. The filing failed to explain this inconsistency. In response to Commission staff’s deficiency letter, the Midwest ISO explains that “[t]he statement in Exhibit A9 that dynamic reactive power capability is ‘not required’ applies to the determination, after study, that dynamic reactive power is not required beyond the amount which the wind turbines are inherently capable of producing.” To avoid any further confusion, the Midwest ISO proposes amendments to Exhibit A9 and Appendix C to make clear that the statement in Exhibit A9 that dynamic reactive power capability is “not required” applies to the determination, after study, that dynamic reactive power is not required beyond the amount which the wind turbines are inherently capable of producing.

13. Commission staff also requested information regarding the difference between language found in Article 9.6.1 that requires that the interconnection customer maintain reactive power from the 0.95 leading to 0.95 lagging and language found in Appendix C, Section 1.11 and Exhibit A9 that requires the interconnection customer to maintain 0.95 leading to 0.90 lagging at the point of interconnection. In response, the Midwest ISO states that the “requirement of ‘0.95 leading to 0.95 lagging’ in Article 9.6.1 of the LGIA refers to the general applicable standard for the Midwest ISO” and that the requirement of 0.95 leading to 0.90 lagging is the requirement that ATC applies to all generation units interconnected to its system. To avoid any confusion, the Midwest ISO proposes an amendment to Article 9.6.1 stating that the requirements of Article 9.6.1 shall not apply to wind generators, unless justified by a study as indicated in Appendix C.⁸

⁸ This approach is consistent with prior Commission orders addressing interconnection agreements proposed by the Midwest ISO. *Midwest Independent Transmission System Operator, Inc.*, 115 FERC ¶ 61,310, at P 16 (2006); *Midwest Independent Transmission System Operator, Inc.*, 115 FERC ¶ 61,257, at P 10 (2006).

c. Commission Determination

14. The Commission accepts the Midwest ISO's response. The proposed amendments are appropriate because they clarify apparent inconsistencies. They also make it clear that, consistent with the system impact study, the Interconnection Customer will not be required to provide reactive power beyond the amount it is inherently capable of producing.⁹ Thus, we direct the Midwest ISO to make its proposed amendments to Article 9.6.1, Appendix C, and Exhibit A9 as discussed above, within 30 days of this order.

2. Specification of Acceptable Credit Provisions

a. Midwest ISO's Filing

15. Article 11.5 of the *pro forma* LGIA provides for the acceptable forms of security an interconnection customer can offer a Transmission Owner to cover the cost of upgrades. The interconnection customer must "provide Transmission Owner, at Interconnection Customer's selection, a guarantee, a surety bond, letter of credit or other form of security that is reasonably acceptable to Transmission Owner and is consistent with the Uniform Commercial Code."

16. The proposed Interconnection Agreement specifies, in Appendix B, the credit standards and the forms of credit support that will be acceptable to the transmission owner under Article 11.5 of the Interconnection Agreement. These credit provisions are contained in Exhibit B-1 (Transmission Owner's Credit Standards); Exhibit B-2 (form for Corporate Guaranty); and Exhibit B-3 (a form Letter of Credit).

17. According to the Midwest ISO, ATC has adopted, published and consistently applied the credit standards in Exhibit B-1. Moreover, the Midwest ISO states that the Commission has approved of ATC's use of the form letter of credit and parental guaranty in prior agreements filed with the Commission.¹⁰

⁹ *Interconnection for Wind Energy*, Order No. 661, FERC Stats. & Regs. ¶ 31,186, *order on reh'g*, Order No. 661-A, FERC Stats. & Regs. ¶ 31,198 (2005). Order No. 661 requires that a wind plant have reactive power capability if the transmission provider shows, in the system impact study, that it is needed for safety or reliability. Order No. 661 does not require that the reactive power capability installed by the wind plant be dynamic unless the system impact study also shows that this type of capability is needed for system reliability.

¹⁰ *See Midwest Independent Transmission System Operator, Inc.*, 114 FERC ¶ 61,016, at P 36-37 (2006).

18. ATC states that adopting uniform credit standards for all of its Interconnection Customers would be consistent with the *pro forma* LGIA and would serve the Commission's desire for transparency, consistency and advance information concerning these requirements. ATC contends that the specification of the credit standards by the transmission owner is consistent with sections 5.17.4 and 11.5 of the *pro forma* LGIA. In addition, while ATC notes that it does not maintain an Open Access Same-Time Information System (OASIS), the filing with the Commission and inclusion in the LGIA would provide notice to interconnection customers as to the terms of interconnecting to ATC's transmission facilities.

b. Commission Determination

19. The Commission accepts Appendix B of the Interconnection Agreement containing ATC's proposed credit standards and forms of credit support. Under Article 11.5 of the *pro forma* LGIA, "unless otherwise provided in Appendix B," the form of security is determined "at the Interconnection Customer's selection" in a form "reasonably acceptable to Transmission Owner" and "consistent with the Uniform Commercial Code." We have previously accepted ATC's use of a form letter of credit and parental guaranty in a prior interconnection agreement filed by the Midwest ISO.¹¹ The parties in this proceeding have agreed to the acceptable methods of providing financial surety and included this negotiated language in Appendix B.¹² We therefore accept Appendix B of the Interconnection Agreement.

3. Requested Effective Date

20. The Midwest ISO requests that the Commission waive the 60-day notice requirement, 18 C.F.R. 35.3(a) (2007), and make the proposed LGIA effective on February 15, 2007. We find that good cause exists to grant the Midwest ISO's request.¹³

¹¹ *Id.* at P 36-37 (2006).

¹² The negotiation of, and the agreement to use, a form letter of credit and parental guaranty in Appendix B of the Interconnection Agreement by the parties acts as a waiver by the interconnection customer of its right to propose alternate forms of security as would otherwise be allowed by Article 11.5 of the *pro forma* LGIA.

¹³ See *Central Hudson Gas and Electric Company, et al.*, 60 FERC ¶ 61,106 at 61,339, *reh'g denied*, 61 FERC ¶ 61,089 (1992); *Prior Notice Filing Requirements Under Part II of the Federal Power Act*, 64 FERC ¶ 61,139 at 61,983-84 (1993), *clarified*, 65 FERC ¶ 61,081 (1993).

The Commission orders:

(A) The Midwest ISO's LGIA is hereby conditionally accepted, effective February 15, 2007.

(B) The Midwest ISO is directed to make a compliance filing, within 30 days of this order, as discussed in the body of this order.

By the Commission.

(S E A L)

Nathaniel J. Davis, Sr.,
Acting Deputy Secretary.